

**REPORT OF THE AUDIT OF THE  
FLEMING COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**EDWARD B. HATCHETT, JR.  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FLEMING COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**

The Auditor of Public Accounts has completed the Fleming County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$171,133 from the beginning of the year, resulting in a cash surplus of \$2,076,432 as of June 30, 2002.

#### **Debt Obligations:**

Capital lease principal agreements totaled \$846,112 as of June 30, 2002. Future principal and interest payments of \$923,420 are needed to meet these obligations.

#### **Report Comment:**

- Lacks Adequate Segregation Of Duties

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Homer Hurst, Former Fleming County Judge/Executive  
Honorable Larry Foxworthy, Fleming County Judge/Executive  
Members of the Fleming County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Fleming County, Kentucky, as of June 30, 2002, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Fleming County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Fleming County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2002, of Fleming County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
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In accordance with Government Auditing Standards, we have also issued our report dated April 21, 2003 on our consideration of Fleming County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Fleming County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 21, 2003



FLEMING COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

Homer D. Hurst, Jr.	County Judge/Executive
Ray H. Money	Magistrate
Larry Dearing	Magistrate
Steve Call	Magistrate
Roger Jolley	Magistrate
Timmy Gulley	Magistrate
Chris Hickerson	Magistrate

**Other Elected Officials:**

John Price	County Attorney
Gary Conley	Jailer
Marilyn Spencer	County Clerk
Pam Lowe	Circuit Court Clerk
Jerry Wagner	Sheriff
Connie Crain	Property Valuation Administrator
Joe Denton	Coroner

**Appointed Personnel:**

Kathy Dryden	County Treasurer
Jackie Jones	Finance Officer
James Watkins	Road Supervisor
Mike Marshall	911 Administrator



STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS



FLEMING COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>		<u>Totals</u> <u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ 1,284,463	\$ 793,801	\$ 2,078,264
Notes Receivable (Note 4)		156,848	156,848
Cash-			
Total Assets	<u>\$ 1,284,463</u>	<u>\$ 950,649</u>	<u>\$ 2,235,112</u>
<u>Other Resources</u>			
Amounts to Be Provided in Future Years for:			
Capital Leases (Note 5)	<u>\$ 520,471</u>	<u>\$ 325,641</u>	<u>\$ 846,112</u>
Total Other Resources	<u>\$ 520,471</u>	<u>\$ 325,641</u>	<u>\$ 846,112</u>
Total Assets and Other Resources	<u><u>\$ 1,804,934</u></u>	<u><u>\$ 1,276,290</u></u>	<u><u>\$ 3,081,224</u></u>

The accompanying notes are an integral part of the financial statements.

FLEMING COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

	<u>Governmental Fund Types</u>		<u>Totals</u> <u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Payroll Revolving Account	\$ 724	\$	\$ 724
Payroll Withholdings Account	1,108		1,108
Capital Leases (Note 5)	<u>520,471</u>	<u>325,641</u>	<u>846,112</u>
Total Liabilities	<u>\$ 522,303</u>	<u>\$ 325,641</u>	<u>\$ 847,944</u>
<u>Equity</u>			
Fund Balances:			
Unreserved	<u>\$ 1,282,631</u>	<u>\$ 950,649</u>	<u>\$ 2,233,280</u>
Total Equity	<u>\$ 1,282,631</u>	<u>\$ 950,649</u>	<u>\$ 2,233,280</u>
Total Liabilities and Equity	<u><u>\$ 1,804,934</u></u>	<u><u>\$ 1,276,290</u></u>	<u><u>\$ 3,081,224</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

FLEMING COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,964,004	\$ 2,633,872	\$ 919,329	\$ 88,085
Other Financing Sources:				
Transfers In	447,384	25,000	25,282	123,000
Borrowed Money-				
Kentucky Advance Revenue Program	1,220,700	1,220,700		
Lease-Purchase Proceeds	332,719			
Total Cash Receipts	<u>\$ 5,964,807</u>	<u>\$ 3,879,572</u>	<u>\$ 944,611</u>	<u>\$ 211,085</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,988,073	\$ 2,425,681	\$ 974,974	\$ 224,159
Other Financing Uses:				
Transfers Out	447,384	422,384	25,000	
Capital Leases-				
Principal Paid	137,517	24,047	90,000	
Kentucky Advance Revenue Program Repaid	1,220,700	1,220,700		
Total Cash Disbursements	<u>\$ 5,793,674</u>	<u>\$ 4,092,812</u>	<u>\$ 1,089,974</u>	<u>\$ 224,159</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 171,133	\$ (213,240)	\$ (145,363)	\$ (13,074)
Cash Balance - July 1, 2001	<u>1,905,299</u>	<u>941,385</u>	<u>504,130</u>	<u>13,586</u>
Cash Balance - June 30, 2002	<u>\$ 2,076,432</u>	<u>\$ 728,145</u>	<u>\$ 358,767</u>	<u>\$ 512</u>

The accompanying notes are an integral part of the financial statements.



FLEMING COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2002  
(Continued)

General Fund Type		Special Revenue Fund Type		
Local Government Economic Assistance Fund		Forest Fire Fund	Revolving Loan Fund	Dispatch Fund
\$	104,027	\$ 1,744	\$ 49,707	\$ 167,240
	193		225	273,684
				332,719
\$	104,220	\$ 1,744	\$ 49,932	\$ 773,643
\$	36,209	\$ 1,668	\$ 111	\$ 325,271
	15,201			8,269
\$	51,410	\$ 1,668	\$ 111	\$ 333,540
\$	52,810	\$ 76	\$ 49,821	\$ 440,103
	142,397	48	303,753	
\$	195,207	\$ 124	\$ 353,574	\$ 440,103

The accompanying notes are an integral part of the financial statements.

FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Fleming County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Public Properties Corporation as part of the reporting entity.

The Public Properties Corporation is a legally separate entity established to provide long-term debt service for the fiscal court. The Public Properties Corporation's governing body consists entirely of fiscal court members. Therefore management must include the Public Properties Corporation as a component unit and the financial information should be blended with that of the fiscal court. However, since there was no financial activity for the Public Properties Corporation, no financial statement disclosure is necessary.

Additional - Fleming County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Fleming County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fleming County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Fleming County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund and Local Government Economic Assistance Fund.

FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Fleming County Special Revenue Fund Type includes the following county funds: Forest Fire Fund, Revolving Loan Fund (formerly known as Community Development Block Grant Fund) and Dispatch Fund.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Fleming County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Receivables

- A. The county loaned \$225,000 to Fleming County Industries, Inc. on August 17, 1985, for the purpose of industrial development. Terms of the agreement stipulate a 20-year repayment schedule at three-percent interest. Fleming County Industries, Inc. is in substantial compliance with the terms of the agreement. As of June 30, 2002, the principal balance due was \$61,837.
- B. The county loaned \$300,000 to Fleming County Industries, Inc. on April 29, 1991, for the purpose of industrial development. Terms of the agreement stipulate a 15-year repayment schedule at three-percent interest. Fleming County Industries, Inc. is in substantial compliance with the terms of the agreement. As of June 30, 2002, the principal balance due was \$95,011.

FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Long-Term Debt - Capital Leases

- A. On May 26, 1999, the Fleming County Fiscal Court entered into an \$87,000 lease agreement with the Kentucky Association of Counties for the purchase of a vehicle for the Sheriff's office and road equipment. The agreement requires variable monthly payments for 48 months to be paid in full June 20, 2003. The principal balance of the agreement was \$23,113 as of June 30, 2002. Lease payments for the remaining year are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 520	\$ 23,113
Totals	<u>\$ 520</u>	<u>\$ 23,113</u>

- B. On August 20, 2000, the Fleming County Fiscal Court entered into a \$500,000 lease agreement with the Kentucky Association of Counties for the paving of county roads. The agreement requires variable monthly payments for 60 months to be paid in full July 20, 2005. The principal balance of the agreement was \$410,000 as of June 30, 2002. Lease payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 15,500	\$ 95,000
2004	10,720	100,000
2005	5,340	105,000
2006	440	110,000
Totals	<u>\$ 32,000</u>	<u>\$ 410,000</u>

FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Long-Term Debt - Capital Leases (Continued)

- C. On August 28, 2001, the Fleming County Fiscal Court entered into an \$80,000 lease agreement with the Kentucky Association of Counties for the renovation of the Courthouse. The agreement requires variable monthly payments for 60 months to be paid in full January 20, 2006. The principal balance of the agreement was \$65,000 as of June 30, 2002. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 1,998	\$ 15,000
2004	1,488	15,000
2005	978	15,000
2006	397	20,000
Totals	<u>\$ 4,861</u>	<u>\$ 65,000</u>

- D. On August 28, 2001, the Fleming County Fiscal Court entered into a \$25,925 lease agreement with the Kentucky Association of Counties for the purchase of an ambulance and life saving equipment. The agreement requires variable monthly payments for 60 months to be paid in full August 28, 2001. The principal balance of the agreement was \$22,358 as of June 30, 2002. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 805	\$ 4,925
2004	604	5,125
2005	395	5,334
2006	178	5,551
2007	9	1,423
Totals	<u>\$ 1,991</u>	<u>\$ 22,358</u>

FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Long-Term Debt - Capital Leases (Continued)

- E. On April 5, 2002, the Fleming County Fiscal Court entered into a \$332,719 lease agreement with the Kentucky Association of Counties for the purchase of 911 emergency equipment. The agreement requires variable monthly payments for 84 months to be paid in full April 20, 2009. The principal balance of the agreement was \$325,641 as of June 30, 2002. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 9,943	\$ 43,261
2004	8,516	44,691
2005	7,041	46,166
2006	5,518	47,689
2007	3,945	49,262
2008-2009	2,973	94,572
Totals	<u>\$ 37,936</u>	<u>\$ 325,641</u>

Note 6. Long-Term Debt - Bonds

In March 1996, the Public Properties Corporation agreed to issue \$1,500,000 Series 1996 Lease Revenue Bonds for the second remodeling project for the Fleming County Hospital. Subsequently, the Public Properties Corporation entered into a lease agreement with the Fleming County Hospital. The Fleming County Hospital bears sole financial responsibility for the payment of principal and interest on the bonds.

Note 7. Insurance

For the fiscal year ended June 30, 2002, Fleming County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



FLEMING COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 4,426,521	\$ 2,633,872	\$ (1,792,649)
Road and Bridge Fund	740,377	919,329	178,952
Jail Fund	79,551	88,085	8,534
Local Government Economic Assistance Fund	96,147	104,027	7,880
<u>Special Revenue Fund Type</u>			
Forest Fire Fund	1,850	1,744	(106)
Revolving Loan Fund	51,245	49,707	(1,538)
Dispatch Fund	506,719	167,240	(339,479)
Totals	<u>\$ 5,902,410</u>	<u>\$ 3,964,004</u>	<u>\$ (1,938,406)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 5,902,410
Add: Budgeted Prior Year Surplus			1,390,500
Add: Borrowed Money			1,220,700
Less: Other Financing Uses			<u>(1,434,716)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 7,078,894</u>

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SCHEDULE OF OPERATING REVENUE



FLEMING COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	<u>GOVERNMENTAL FUND TYPES</u>		
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type
Taxes	\$ 921,849	\$ 776,180	\$ 145,669
Excess Fees	80,406	80,406	
Licenses and Permits	4,472	4,472	
Intergovernmental Revenues	2,671,931	2,650,316	21,615
Charges for Services	33,684	33,621	63
Miscellaneous Revenues	162,626	121,098	41,528
Interest Earned	89,036	79,220	9,816
Total Operating Revenue	<u>\$ 3,964,004</u>	<u>\$ 3,745,313</u>	<u>\$ 218,691</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



FLEMING COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 488,483	\$ 506,531	\$ (18,048)
Protection to Persons and Property	323,506	320,364	3,142
General Health and Sanitation	3,276,327	1,455,616	1,820,711
Social Services	600	300	300
Recreation and Culture	82,939	61,009	21,930
Roads	1,023,676	914,363	109,313
Airports	2,500	2,500	
Debt Service	19,080	41,250	(22,170)
Capital Projects	20,639		20,639
Administration	754,599	359,090	395,509
Total Operating Budget - General Fund Type	\$ 5,992,349	\$ 3,661,023	\$ 2,331,326
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	1,220,700	1,220,700	
Capital Lease Agreement- Principal on Lease	205,747	129,248	76,499
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 7,418,796</u>	<u>\$ 5,010,971</u>	<u>\$ 2,407,825</u>

FLEMING COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 341,095	\$	\$ 341,095
Protection to Persons and Property	708,842	298,960	409,882
Debt Service		914	(914)
Administration	36,608	27,176	9,432
Total Operating Budget - Special Revenue Fund Type	\$ 1,086,545	\$ 327,050	\$ 759,495
Other Financing Uses:			
KACO Leasing Trust Equipment Lease- Principal	8,269	8,269	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 1,094,814</u>	<u>\$ 335,319</u>	<u>\$ 759,495</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Homer Hurst, Former Fleming County Judge/Executive  
Honorable Larry Foxworthy, Fleming County Judge/Executive  
Members of the Fleming County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Fleming County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated April 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Fleming County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fleming County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Fleming County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 21, 2003



COMMENT AND RECOMMENDATION



FLEMING COUNTY  
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2002

REPORTABLE CONDITIONS

Lacks Adequate Segregation Of Duties

We conclude the internal control structure lacks a proper segregation of duties. There is a limited staff size, which prevents adequate division of responsibilities. The Treasurer has statutory authority to assume the role as custodian of monetary assets, as well as recorder of transactions and preparer of financial statements. The Treasurer also prepares bank reconciliations for all county bank accounts. This lack of adequate segregation of duties is considered to be a reportable condition but is not considered to be a material internal control weakness. We recommend that accounts be reconciled by an employee other than the Treasurer.

*County Judge/Executive Larry Foxworthy's response:*

*We will follow the auditor's recommendations.*

*County Treasurer Kathy Dryden's response:*

*I was not asked who did what, 2 members of staff not available now, left in January.*

NONCOMPLIANCES

None.

PRIOR YEAR FINDINGS

None.

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS

FLEMING COUNTY FISCAL COURT

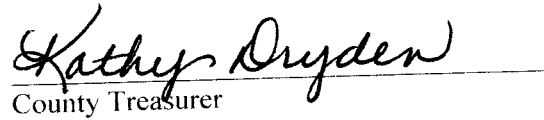
For The Fiscal Year Ended  
June 30, 2002

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS  
FLEMING COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The Fleming County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
County Judge/Executive

  
County Treasurer